



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**November 16, 2004**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Franklin Community Bank, National Association  
Charter Number 24260**

**400 Old Franklin Turnpike, Suite 100  
Rocky Mount, VA 24151**

**Comptroller of the Currency  
Virginia Field Office  
3800 Electric Road Suite 204  
Roanoke, VA 24018**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The rating was assigned based on the following information:

- The bank's loan-to-deposit ratio is more than reasonable.
- A majority of the bank's loans were originated within their assessment area.
- Analysis reflects more than reasonable penetration among individuals of different income levels and businesses of different sizes.
- No public complaints related to CRA have been filed since the bank opened.

## **DESCRIPTION OF INSTITUTION**

Franklin Community Bank (FCB) is a subsidiary of MainStreet Bankshares. MainStreet Bankshares is a two-bank holding company with \$151 million in total assets. FCB has one affiliate, Smith River Community Bank, N.A. There are no legal or financial impediments to FCB's ability to meet the credit needs of its assessment area. This is the bank's first CRA examination.

FCB's main office is located in Rocky Mount, Virginia. The bank also operates one full-service branch office in Westlake Corner, Virginia. The bank opened the branch in 2004. FCB has two depository ATMs.

As of September 30, 2004, FCB's assets totaled \$93 million, of which net loans comprised 82%.

The following table reflects the composition of FCB's loan portfolio based on the September 30, 2004 Call Report.

Loan Type	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	20,286	26.54
Residential Mortgage Loans	29,066	38.03
Individuals	2,246	2.94
Commercial Construction	14,843	19.42
Residential Construction	9,146	11.97
All Other	345	.44
Farmland and Agriculture	502	.66
<b>Total</b>	<b>76,434</b>	<b>100.00</b>

Data obtained from Call Report.

We chose the primary loan types based on outstanding balances and discussions with management about loan originations. The table above indicates the bank's primary loan types based on outstanding balances are commercial and industrial, including commercial real estate,

and residential mortgage loans. Management agreed with our selection of residential mortgages and commercial as the primary loan types.

## DESCRIPTION OF ASSESSMENT AREAS

The bank has one assessment area (AA):

- Franklin County, VA

Franklin County is the seventh largest county in Virginia by area, consisting of 692.1 square miles of land and 9.5 square miles of water. Franklin County is located in the southwestern part of the state. Major industrial companies include MW Manufacturers, Fleetwood Homes of VA, Ronile Inc, and Cooper Wood Products. Unemployment for this assessment area is 2%. Population for this assessment area is 47,286. The area's top three industries by distribution of employees are services, retail trade, and construction. The bank has 100% of their deposits in this assessment area and 14.29% of the deposit market share<sup>1</sup>. Competition in this assessment area consists of 16 branches of FDIC-insured institutions representing six banks varying in asset size.

### Community Contact

We conducted one community contact during this examination with a representative of a financial counseling organization serving Franklin County. The contact indicated that the recent closures of textile mills and furniture factories have created an under employment situation in Franklin County. The contact was not well informed of credit needs and the local banking community's effort to meet those needs. The contact identified the primary need in the community as job creation.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan to deposit ratio is excellent when compared to other similarly situated institutions. A review of bank data reveals that FCB is similarly-situated to First National Bank and Planters Bank & Trust Company of Virginia. Both institutions offer similar credit products and operate in the same assessment area as FCB. The following table reflects the average quarterly loan to deposit ratio of FCB and the similarly situated banks.

Institution Name	Average Quarterly Loan to Deposit Ratio Nine quarters beginning September 30, 2002
Franklin Community Bank	90.45%
First National Bank	54.66%
Planters Bank & Trust Company of Virginia	72.76%

### Lending in Assessment Area

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<sup>1</sup> Based on the FDIC's June 30, 2004 Summary of Deposits.

The bank originated a majority of sampled loans within their assessment area. Based on our sample, 73% of the loans were made within the AA. The analysis of lending in the bank's assessment area included a sample of the primary loan types: 50 home mortgages and 52 commercial loans. The sample included loans originated between January 1, 2003 and November 16, 2004. The sample did not include loans originated in 2002 because the bank opened September 16, 2002 and did not originate a significant number of loans in 2002. We compared loans sampled from 2003 to the 1990 census data, and loans sampled from 2004 to the 2000 census data.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels (including low- and moderate-income) and businesses of different sizes. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using all files inside the AA from the lending in the AA sample, excluding loans for which income information was not available.

Overall, the distribution of residential mortgage loans to low and moderate-income borrowers is good in the AA. In 2003, the bank originated 5% and 26% of their residential mortgage loans to low and moderate-income borrowers, based on the number of loans sampled. Demographic information shows that 16% of the families in the AA are low-income and 16% are moderate-income. The bank's lending volume to low-income borrowers is below AA demographics. This is mitigated by the fact that 89% of the low-income families within the AA live below the poverty level, which makes it difficult for them to afford and maintain a home. In 2004, the bank originated 30% of their residential mortgage loans to low-income borrowers and 30% to moderate-income borrowers based on the number of loans sampled. Demographic information shows 20% of the families in the AA are low-income and 19% are moderate-income.

The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) was good in the AA. FCB originated 76% of sampled commercial loans to small businesses, where the comparative demographic information shows small businesses represent 74% of all businesses in the AA.

### **Geographic Distribution of Loans**

FCB does not have any low or moderate-income geographies in its AA. Therefore, the geographic distribution of loans assessment was not applicable.

### **Responses to Complaints**

FCB has not received any CRA-related complaints since opening on September 16, 2002.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.

